



**COUNTY OF LOS ANGELES  
DEPARTMENT OF AUDITOR-CONTROLLER**

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June 13, 2007

TO: Supervisor Zev Yaroslavsky, Chairman  
Supervisor Gloria Molina  
Supervisor Yvonne B. Burke  
Supervisor Don Knabe  
Supervisor Michael D. Antonovich

FROM: J. Tyler McCauley *JTM*  
Auditor-Controller

SUBJECT: **LOS ANGELES COUNTY OFFICE OF EDUCATION CONTRACT -  
WORKFORCE INVESTMENT ACT YOUTH PROGRAM**

We have conducted a program, fiscal and administrative contract review of Los Angeles County Office of Education (LACOE or Agency), a Workforce Investment Act (WIA) provider.

**Background**

The Department of Community and Senior Services (DCSS) contracts with LACOE, a regional education agency, to provide and operate the WIA Youth Program. The WIA Youth Program is a comprehensive training and employment program for in-school and out-of-school youth ages 14 to 21 years old. LACOE is located in the First, Second, Third and Fifth District.

LACOE is compensated on a cost reimbursement basis. DCSS paid LACOE approximately \$1 million for Fiscal Year (FY) 2005-06 and LACOE's contract for FY 2006-07 is for \$940,067.

**Purpose/Methodology**

The purpose of the review was to determine whether LACOE complied with its contract terms and appropriately accounted for and spent WIA funds in providing services to

*"To Enrich Lives Through Effective and Caring Service"*

eligible participants. We also evaluated the adequacy of the Agency's accounting records, internal controls and compliance with federal, State and County guidelines.

### **Results of Review**

Overall, LACOE provided the services in accordance with the County contract and the eight program participants interviewed stated that the services they received met their expectations. However, LACOE over billed DCSS \$32,042. Specifically, LACOE:

- Overstated their program expenditures on their FY 2005-06 close-out invoice submitted to DCSS. The amount overstated totaled \$31,212.
- Billed DCSS \$697 in payroll expenditures related to non-WIA staff.
- Billed DCSS \$133 for three paid mileage claims that overstated the claimed amounts.

Subsequent to our review, LACOE repaid DCSS or credited the program for the amounts over billed.

Details of our review along with recommendations for corrective action are attached.

### **Review of Report**

We discussed our report with LACOE on May 17, 2007. In their attached response, LACOE concurred with our findings and recommendations. We notified DCSS of the results of our review.

We will follow up our recommendations during next year's monitoring review. We thank LACOE for their cooperation and assistance during this review. Please call me if you have any questions or your staff may contact Don Chadwick at (626) 293-1102.

JTM:MMO:DC

Attachment

c: David E. Janssen, Chief Administrative Officer  
Cynthia Banks, Director, Department of Community and Senior Services  
Donald Kenneth Shelton, Assistant Superintendent, Business Services, Los Angeles County Office of Education.  
Public Information Office  
Audit Committee

**WORKFORCE INVESTMENT ACT PROGRAM  
LOS ANGELES COUNTY OFFICE OF EDUCATION  
FISCAL YEAR 2006-07**

**ELIGIBILITY**

**Objective**

Determine whether Los Angeles County Office of Education (LACOE or Agency) provided services to individuals that meet the eligibility requirements of the Workforce Investment Act (WIA).

**Verification**

We reviewed the case files for 20 (18%) of the 112 youth program participants that received services between July and November 2006 for documentation to confirm their eligibility for WIA services.

**Results**

All 20 participants met the eligibility requirements for the WIA program.

**Recommendation**

**There are no recommendations for this section.**

**BILLED SERVICES/CLIENT VERIFICATION**

**Objective**

Determine whether the Agency provided the services in accordance with the County contract and WIA guidelines. In addition, determine whether the participants received the billed services.

**Verification**

We reviewed the documentation contained in the case files for 20 (18%) participants that received services between July and November 2006. We also interviewed eight participants.

**Results**

The eight participants interviewed confirmed that the services they received met their expectations. However, LACOE did not accurately update the leadership activities for four (16%) of the 25 participants on the Job Training Automation (JTA) system. The

JTA system is used by the State of California Employment Development Department and the Department of Labor to track WIA participant activities. This issue was also noted in the prior year's monitoring report. Subsequent to our review, LACOE updated the JTA system for all program activities provided to WIA participants.

**Recommendation**

1. **LACOE management ensure that staff accurately update the JTA system to reflect the participants' program activities.**

**CASH/REVENUE****Objective**

Determine whether cash receipts and revenues are properly recorded in the Agency's records and deposited timely in their bank account. Determine whether there are adequate controls over cash, petty cash and other liquid assets.

**Verification**

We interviewed Agency personnel and reviewed financial records. We also reviewed the bank reconciliation for September 2006.

**Results**

LACOE maintained adequate controls to ensure that revenue was properly recorded and deposited in a timely manner.

**Recommendation**

**There are no recommendations for this section.**

**EXPENDITURES/PROCUREMENT****Objective**

Determine whether program related expenditures are allowable under the County contract, properly documented and accurately billed.

**Verification**

We interviewed Agency personnel, reviewed financial records and reviewed documentation for 31 (60%) non-payroll expenditure transactions billed by the Agency for August and September 2006, totaling \$13,846.

**Results**

LACOE's expenditures were generally allowable and properly documented. However, three (33%) of nine staff mileage claims submitted in August and September 2006 overstated the reported miles driven, resulting in an overpayment of \$133. In addition, two (22%) of the nine mileage claim forms did not contain the purpose of the trips and all nine claim forms did not contain odometer readings or addresses to support the miles claimed.

**Recommendations****LACOE management:**

- 2. Repay DCSS \$133.**
- 3. Ensure that mileage claim forms are fully completed and mileage expenses are adequately supported.**

**INTERNAL CONTROLS/CONTRACT COMPLIANCE****Objective**

Determine whether the contractor maintained sufficient internal controls over its business operations. In addition, determine whether the Agency is in compliance with other program and administrative requirements.

**Verification**

We interviewed Agency personnel, reviewed the Agency's policies and procedures manuals, conducted an on-site visit and tested transactions in various areas such as cash, expenditures, payroll and personnel.

**Results**

Generally, LACOE maintained sufficient internal controls over its business operations. However, LACOE's procurement policy did not require staff to document price quotes for purchases over \$1,000 as required by WIA guidelines. This issue was also noted in the prior year's monitoring report. On the prior year's report, LACOE management disagreed with this finding. However, DCSS management stated that LACOE needs to comply with the procurement policy requirement.

**Recommendation**

- 4. LACOE management ensure that the Agency's procurement policy is in compliance with program requirements.**

**FIXED ASSETS AND EQUIPMENT**

**Objective**

Determine whether LACOE's fixed assets and equipment purchased with WIA funds are used for the WIA program and are safeguarded.

**Verification**

We interviewed Agency personnel and reviewed the Agency's equipment inventory listing. In addition, we performed an inventory and reviewed the usage of 13 (8%) of 171 items purchased with WIA funds, totaling \$12,695.

**Results**

LACOE used the items purchased with WIA funding for the WIA program. In addition, the items were appropriately safeguarded.

**Recommendation**

**There are no recommendations for this section.**

**PAYROLL AND PERSONNEL**

**Objective**

Determine whether payroll expenditures are appropriately charged to the WIA program. In addition, determine whether personnel files are maintained as required.

**Verification**

We traced and agreed the payroll expenditures invoiced for all nine employees in September 2006, totaling \$47,669, to the payroll records and time reports. We also reviewed the personnel files for five of the nine staff assigned to the WIA program.

**Results**

LACOE billed DCSS \$697 for payroll expenditures related to a temporary worker not assigned to the WIA program. In addition, LACOE did not maintain copies of drivers' licenses for all five employees in their personnel files. Subsequent to our review, LACOE reduced the amount of payroll expenditures billed on its subsequent invoice by \$697 and provided copies of current driver's licenses.

**Recommendations**

**LACOE management:**

- 5. Ensure that WIA funds are used only for WIA services.**
- 6. Ensure that personnel files contain all required documentation.**

**COST ALLOCATION PLAN**

**Objective**

Determine whether LACOE's Cost Allocation Plan is prepared in compliance with the County contract and appropriately applied to program costs.

**Verification**

We reviewed the Cost Allocation Plan and reviewed a sample of expenditures incurred by the Agency in August and September 2006 to ensure that the expenditures were appropriately allocated to the Agency's programs.

**Results**

LACOE's Cost Allocation Plan complied with the County contract requirements and costs were appropriately allocated.

**Recommendation**

**There are no recommendations in this section.**

**CLOSE-OUT REVIEW**

**Objective**

Determine whether the Agency's Fiscal Year (FY) 2005-06 final close-out invoice reconciled to the Agency's financial accounting records.

**Verification**

We traced and agreed the Agency's FY 2005-2006 final close-out invoice submitted to DCSS, which summarizes the total program expenditures for the fiscal year, to the Agency's total WIA program expenditures on their general ledger and reviewed a sample of expenditures incurred in June 2006.

**Results**

LACOE overstated its program expenditures on their FY 2005-06 close-out invoice submitted to DCSS. LACOE's general ledger did not support \$29,668 in expenditures. The Agency also billed \$1,544 in payroll expenditures during FY 2005-06 related to non-WIA staff. Subsequent to our review, the Agency repaid DCSS \$31,212.

**Recommendation**

7. LACOE management ensure that all program expenditures are supported and accurately reported in the general ledger.

**PRIOR YEAR FOLLOW-UP****Objective**

Determine the status of the recommendations reported in the prior monitoring review completed by the Auditor-Controller.

**Verification**

We verified whether the outstanding recommendations from FY 2005-06 monitoring review were implemented. The report was issued in April 2006.

**Results**

The prior year's monitoring report contained seven recommendations. LACOE implemented five (71%) of the seven recommendations. LACOE management stated that the Agency plans to implement the outstanding recommendations by June 30, 2007.

**Recommendation**

8. LACOE management implement the outstanding recommendations from FY 2005-06 monitoring report.





## Los Angeles County Office of Education

Leading Educators • Supporting Students • Serving Communities

May 30, 2007

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Mr. J. Tyler McCauley  
Auditor-Controller  
500 West Temple Street, Room 525  
Los Angeles, California 90012-2766

Dear Mr. McCauley:

### Los Angeles County Office of Education's Workforce Investment Act Program

Our Office has received the draft report for the Los Angeles County Office of Education (LACOE) Workforce Investment Act (WIA) Program, which includes the results of your findings. We have diligently reviewed your findings and have replied to each one of your recommendations.

#### Recommendation:

1. LACOE management will ensure that staff accurately updates the JTA system to reflect the participants' program activities.

#### LACOE's Response:

LACOE staff did not enter leadership activities for four WIA youth participants into the MIS. The discrepancy was rectified in October 2006. WIA staff has been informed that Leadership activities are to be entered into the MIS system. This method is now part of the ongoing MIS input procedures.

#### Recommendation:

2. Repay DCSS \$133

#### LACOE's Response:

Subsequent to our review, three of the mileage claims were calculated with incorrect mileage rates. This resulted in an overpayment of \$133. The overpayment of \$133 has been credited in the general ledger and will reflect on the May 2007 invoice.

#### Recommendation:

3. Ensure that mileage expenses are adequately supported.

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May 30, 2007  
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LACOE's Response:

On some mileage claims, the address of the destination and rationale were not spelled out. Staff has now been instructed to include both of these items when submitting claims for reimbursement. In addition, the supervisor will review mileage claims to ensure mileage expenses are properly reported before approving them.

Recommendation:

4. LACOE management will ensure that the Agency's procurement policy is in compliance with the program requirements.

LACOE's Response:

In the past, LACOE disagreed with this finding and requested clarification from DCSS regarding the requirement to obtain at least three bids for purchases over \$1,000 per unit. Per the WIA contract, the amount required for at least three bids is \$5,000. WIA's directive has now notified LACOE to obtain at least three bids for purchases over \$1,000 per unit. LACOE will monitor purchase requisitions to ensure that all WIA program terms and conditions are met.

Recommendation:

5. Ensure that WIA funds are used only for WIA services.

LACOE's Response:

LACOE will continue to monitor and review WIA's expenditures to ensure that they are in compliance with the contractual terms and applicable regulations.

Recommendation:

6. Ensure that the required documentation is maintained in the personnel files.

LACOE's Response:

WIA staff will maintain copies of current California driver's license in their files.

Recommendation:

7. Ensure that all program expenditures are supported and accurately reported in the general ledger.

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LACOE's Response:

The deadline to submit the final invoice was July 6, 2006 for fiscal year 2005-2006. Our final invoice dated July 5, 2006, included estimated expenditures due to final closing still being finalized. Upon final closing, the actual total expenditures for FY 2005-2006 was \$975,126, resulting in over-billing of \$31,212. This amount has been refunded with warrant number 15052037, dated May 2, 2007.

Recommendation:

8. LACOE management will implement the outstanding recommendations from FY 2005-06 monitoring report.

LACOE's Response:

LACOE did not receive the final FY 2005-2006 report until May 1, 2007. That same day, we requested a copy from Mr. Don Chadwick, Division Chief, County of Los Angeles, Department of Auditor-Controller. LACOE has noted the outstanding recommendations and will work avidly to comply thoroughly.

If you have any questions, or require additional information, please contact me at (562) 922-8973.

Sincerely,



Mohammad Z. Memon  
Assistant Controller  
Controller's Office

MZM/VC:ad

cc: Ms. Patricia Smith  
Ms. Carole Suydam  
Ms. Susan Malmir  
Ms. Nimfa Andres